TESTIMONY OF

Fred Lounsberry
Senior Vice President, Sales, Universal Parks and Resorts
National Chair, Travel Industry Association of America

Hearing before the
Subcommittee on Consumer Affairs, Foreign Commerce and Tourism
United States Senate

September 25, 2002

Mr. Chairman and Members of the Subcommittee:

On behalf of the 2,100 member organizations of the Travel Industry Association of America, or TIA, I want to thank you for providing me with this opportunity to update this Subcommittee on the state of the travel and tourism industry. I am TIA's National Chair as well as Senior Vice President, Sales, for Universal Parks and Resorts.

Last October, TIA was privileged to present a witness to share with you our concerns about the devastating impact on our industry and on our employees of the terrorist attacks of September 11, 2001. As you will recall, our industry was struggling badly. Business had dropped off 35 percent in the month following the terrorist attacks, with the sudden and dramatic decline in air travel rippling out to hurt all segments of the industry, including hotels, restaurants, rental car companies and – my business – attractions and amusement parks.

At your last hearing, our industry asked for help. We were grateful that so many of you cosponsored legislation embodying our proposed industry relief plan and other measures aimed at helping keep our employees on the job. For reasons beyond our collective control, however, the legislation did not become law, and the economy has not fully recovered. As a result, many of our former employees are still without jobs or are working significantly fewer hours.

Today, I want to describe the current state of our industry and to suggest how you might help our industry share American values abroad, generate jobs, increase tax receipts, and help our nation compete for international visitors in the future. In short, our industry has coalesced around the notion of a public-private partnership that would promote travel to and within the United States for the benefit of every state in the union. We need your support, and hope you will step forward as you did last year to help us. Working together, we can persuade more visitors to visit the United States for the benefit of the country as a whole.

ONE YEAR LATER

One year later, our industry's situation has improved, but recovery is neither full nor complete. Most of our progress has been made in domestic leisure travel. Auto travel and travel by recreation vehicles have been leading positive indicators, as Americans have expressed more interest in family travel and staying closer to home. Lower gas prices and a shift away from air travel have reinforced these trends.

Domestic air travel recovery, however, has stalled. In the first half of 2002, enplanements were down 10 percent over the previous year's numbers, according to the Air Transport Association. Airlines continue to struggle financially, grappling with enticing customers back to the skies while managing to reverse the trend of red ink.

Business and convention travel, which was down 3 percent in 2001, was down nearly 9 percent in the first six months of 2002. Corporations continue to trim expenses in order to stay profitable in these precarious economic times, and travel continues to bear the burden of this trend. Hotel occupancy is improving slightly each month, but occupancy rates in the first two quarters of 2002 have still been lower than they were one year ago.

But the most affected segment by far has been international travel. In 2001, overseas travel to the U.S. declined 15 percent overall, according to the U.S. Department of Commerce. The United States saw even more dramatic drops in visitors from key markets such as Japan, where travel slipped 18.5 percent; Brazil, where inbound U.S. travel declined 22.7 percent; and Germany, which posted a 24.6 percent drop. Industry analysts do not predict that international travel to the U.S. will catch up to 2000 levels until 2004.

This disturbing trend, combined with the struggling domestic air market and the decline in business travel, has affected travel industry employment dramatically. From September to December of 2001, travel employment declined significantly. Based on data from the Bureau of Labor Statistics, TIA estimates that more than 273,000 employees working directly for the travel industry lost their jobs during this time.

Unfortunately, 2002 is shaping up to be even worse overall than 2001. The first eight months of 2001 showed positive job growth, so the overall trend for the year was flat. However, from December 2001 to July 2002, an additional 47,000 jobs were lost in our industry. While travel industry employment levels have stabilized in the past six months, they are still almost four percent lower than the same months of the previous year. With no positive growth yet this year and none indicated for the coming months, 2002 is likely to show a significant decline.

REVERSING THESE TRENDS

The single biggest obstacle to a full and complete recovery of our industry is the loss of international travelers to the United States. You may wonder why this segment is so important. The numbers speak for themselves.

The average international traveler spends an average of 15.6 nights and more than $1,600 in our country. In 2001, international visitors spent $72.3 billion here and an additional $17.7 billion on transactions with U.S. air carriers. These expenditures directly generated 1 million jobs. One out of every eight travel industry employees is working because of international visitors.

International travel to the United States does more than generate jobs; it is a revenue source for federal, state and local governments. According to TIA, international travelers directly generated more than $12 billion in tax revenue in 2001, including income tax of those industry workers who are employed because of international visitors.

These economic benefits are not limited to any specific region of the country. International visitors see all parts of our nation. One-third of international travelers visit two or more states. Thirty-one percent visit historical places. Twenty-eight percent visit small towns, and 21 percent tour the countryside. One-fifth of all international visitors spend time at national or state parks. The impact of international travel is felt through the United States.

Bringing international travel levels back to the record-setting levels of the year 2000 will help replace the 320,000 jobs that have been lost since September 2001 and generate tax revenue for governments that are struggling with deficit budgets during these difficult economic times.

GOING EVEN FURTHER

Yet, we should not be satisfied with a return to 2000 levels of inbound international travel. In the past decade, our country has been losing market share of world travelers. While total outbound travel worldwide has increased 49 percent since 1991, arrivals to the U.S. have increased by only 7 percent. Our country's market share of world arrivals has decreased 28 percent in the past ten years.

The United States is no longer the world's premier destination; we are third, behind France and Spain. We continue to lose share in five of the world's six largest tourist markets. We are being outpaced by other countries who are promoting themselves aggressively to the growing world tourism market.

Increasing our share of international visitors would have tangible economic benefits. Adding just one percentage point to the 2001 U.S. market share of world arrivals would result in an additional 7 million international visitors, an additional $11 billion in expenditures in our country and the creation of 151,000 more travel industry jobs.

Such growth would benefit U.S. governments as well. Adding one percentage point to the 2001 U.S.

market share of world arrivals would generate an additional $1.9 billion in tax revenue for federal, state and local governments, including income tax. It's easy to see why our industry is so focused on the international market.

GROWING TRAVEL TO THE U.S.

As travel continues to grow worldwide, other countries continue to increase their market share of worldwide travel. While some of this shifting is inevitable as former communist bloc countries enter the travel and tourism business, much of it is attributable to the success of sophisticated, aggressive marketing campaigns undertaken by governments that understand the economic value of promoting in-bound travel.

The United States is the only western, industrialized nation without a unified national tourism campaign that reaches out to global visitors and encourages them to see America. The most recent report of the World Tourism Organization provides information about national tourism offices worldwide. Here are a few snapshots of the 1997 budgets of our competitors:

- Australia $87.5 million
- France $58.2 million
- New Zealand $32.8 million
- Brazil $92.3 million
- Germany $26.6 million
- Mexico $103.2 million
- Spain $147.0 million

As you can see, we face stiff competition in the global marketplace. Other countries have recognized the value of international travelers, and they are growing their market shares while our share is declining. In order to increase our share of worldwide travelers, the United States needs to engage in a tourism promotional campaign.

SUCCESSFUL MODELS

Our travel and tourism industry is asking the federal government to help our industry market the U.S. internationally. As an industry, we have long recognized the benefits of leveraging marketing dollars, and there are several successful models in our own country that could serve as examples of how to structure a national tourism marketing campaign.

The state of Florida created VISIT FLORIDA, a public-private promotional effort designed to create a unified brand for the state. I am the immediate past chair of VISIT FLORIDA's private sector board of directors, which oversees the work of this non-profit organization. The state of Florida contributes dollars for marketing initiatives, and those dollars are matched one-for-one by the private sector. In this way, the state is able to generate more in advertising value from its investment of public funds. The state of California has a similar marketing effort. Indeed, combining public and private sector dollars for tourism marketing purposes is common throughout the world.

Our industry has already implemented a demonstration campaign, which was developed and administered by TIA. SeeAmerica is our industry's brand, and SeeAmerica.org is the website that consumers can use to make travel plans. The SeeAmerica name and logo are used at all major international tourism trade shows, such as ITB in Berlin and JATA in Japan. Travel guide inserts in major UK Sunday newspapers utilized the SeeAmerica name, as did a subway advertising train campaign in Japan.

These and other projects and programs have been paid for by 225 separate industry sources, including state and local tourism organizations and private-sector companies, and they show the willingness of our industry to put up matching dollars for a broader federal campaign. They also demonstrate the success of the SeeAmerica brand, which has been used by individual travel and tourism companies in their own advertising efforts.

WHAT OUR INDUSTRY IS ASKING

As we seek to rebuild our industry and to create jobs, our industry now asks that Congress will help us build on the success of these programs by joining us in exploring ways to brand, position and promote the United States as the premier travel destination in the world. Our industry encourages that, like the Florida model, any organization be managed by the private sector.

This idea has been unanimously endorsed by TIA's Board of Directors, which represents all segments of the industry from all regions of the country. The National Council of State Tourism Directors and the National Council of Destination Organizations have passed resolutions supporting this proposal. Additionally, this year, the Southern and Western Governors Associations have called on the federal government to provide a sustained, federally funded international advertising and marketing program that encourages travel and tourism to the United States.

We encourage the members of this Subcommittee to support exploration of a public-private partnership for promoting travel to the United States. This is our industry's best hope of regaining the international visitors that have been lost in the past decades and reversing the decline of visitors since September 11, 2001. This is our nation's best hope for replacing the jobs and tax revenue that have been lost. And it offers a way for our nation to share our values with individuals throughout the world. Our industry looks forward to working with you on legislation to achieve this goal.

Mr. Chairman, I appreciate the opportunity to testify today, and I look forward to answering any questions you may have.

Thank you.